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# State of California
# ANNUAL REPORT
# 1986-87 Fiscal Year

Gray Davis

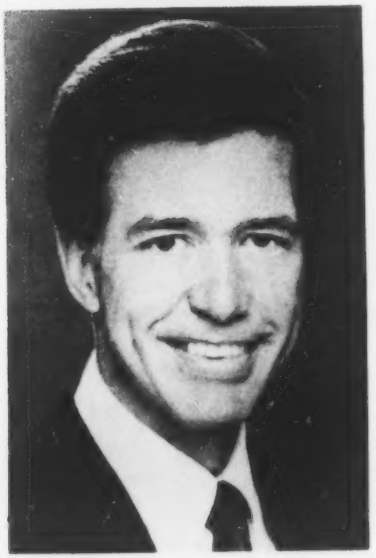
STATE CONTROLLER

# ANNUAL REPORT

# OF THE STATE OF CALIFORNIA

# LEGAL/BUDGETARY BASIS

Fiscal Year Ended June 30, 1987



**GRAY DAVIS**
State Controller

# CONTENTS


| | Pages |
|---|---|
| Introduction Section | |
| State Controller's Overview | A-4 |
| General Fund Financial Statements | A-14 |
| Notes to Financial Statements | A-18 |
| Governmental Cost Funds--Comparative Summary of Revenue and Expenditures | A-38 |
| Statistical Section | A-42 |
| Statements | |
| 1. All Funds--Financial Condition | 2 |
| 2. All Funds--Operations | 4 |
| 3. Governmental Cost Funds--Financial Condition | 8 |
| 4. Governmental Cost Funds--Operations | 9 |
| 5. Professions and Vocations Funds--Financial Condition | 82 |
| 6. Professions and Vocations Funds--Operations | 83 |
| 7. Working Capital and Revolving Funds--Financial Condition | 94 |
| 8. Working Capital and Revolving Funds--Operations | 95 |
| 9. Public Service Enterprise Funds--Financial Condition | 106 |
| 10. Public Service Enterprise Funds--Operations | 107 |
| 11. Bond Funds--Financial Condition | 116 |
| 12. Bond Funds--Operations | 117 |
| 13. Retirement Funds--Financial Condition | 128 |
| 14. Retirement Funds--Operations | 129 |
| 15. Trust and Agency Funds--Financial Condition | 130 |
| 16. Trust and Agency Funds--Operations | 131 |
| 17. Trust and Agency Federal Funds--Financial Condition | 162 |
| 18. Trust and Agency Federal Funds--Operations | 163 |
| 19. Trust and Agency Funds--Outside State Treasury--Financial Condition | 168 |
| 20. Trust and Agency Funds--Outside State Treasury--Operations | 169 |
| 21. Governmental Cost Funds--Summary Statement of Revenues | 172 |
| 22. Governmental Cost Funds--Summary Statement of Expenditures | 174 |
| 23. All Funds--Investments | 186 |
| 24. All Funds--Income from Investments | 187 |
| 25. Bonded Debt--Interest and Redemption Paid | 188 |
| 26. Bonded Debt--Interest and Redemption Requirements | 189 |
| 27. Bank and/or Savings and Loan Accounts Outside the Treasury System | 194 |
| Index | 206 |

## LETTER OF TRANSMITTAL

# Controller of the State of California

SACRAMENTO

Honorable George Deukmejian
Governor of California
State Capitol
Sacramento, California

Dear Governor Deukmejian:

I hereby submit to you, as required by law, the Annual Report of the State of California. This report shows the financial condition of all funds as of June 30, 1987, and the result of their operations for the fiscal year then ended.

The General Fund ended the 1986-87 fiscal year with a fund balance of $1.764 billion. Included in the fund balance is $190 million designated for continuing appropriations, $1.046 billion deposited into the Special Fund for Economic Uncertainties which was required by Section 12.30 of Chapter 186, and $528 million of undesignated (unappropriated) funds.

Though the Special Fund for Economic Uncertainties ended the fiscal year with a balance of $1.046 billion, Chapter 908, Statutes of 1987, required that revenue collected in excess of the limit set by Article XIIIB of the State Constitution be rebated to the people of California. This amount was determined to be $1.1 billion. In order to make this rebate, it was necessary to reduce the balance of the Special Fund for Economic Uncertainties to $478 million. This amount is far below the $1.0 billion figure the administration has indicated is necessary for a "prudent" reserve.

During the year, despite excess revenues, General Fund cash flow shortages required the issuing of short-term revenue anticipation notes in the amount of $2.6 billion. These notes were fully redeemed on June 30, 1987.

This report is prepared in compliance with state laws and accounting procedures and is in conformance with the state's budget. I have also issued a financial statement prepared in conformance with generally accepted accounting procedures. A reconciliation between these two bases of accounting is contained in Note 2 of this report.

We wish to express our appreciation to all state agencies for their cooperation and continued efforts to submit their reports on a more timely basis. The staff of the Controller's Office is committed to publishing the Annual Report earlier while not sacrificing its accuracy or completeness.

Best Regards,

Gray Davis

**GRAY DAVIS**
State Controller

## STATE CONTROLLER'S OVERVIEW

### INTRODUCTION

The State of California Annual Report for the fiscal year ended June 30, 1987, has been prepared in accordance with Section 12460 of the Government Code which requires the Controller to submit an annual report to the Governor containing a statement of the funds of the state, its revenues, and its expenditures during the preceding fiscal year.

The annual report is comprised of 27 individual financial statements which include comprehensive financial statements of financial condition and operations for all funds, by group, and by fund classification. Additional statements which include financial information in more detail are reported separately in the Annual Report Supplement. The statements included in the Annual Report Supplement are:

S-1 Governmental Cost Funds--Revenues by Fund and Source
S-2 Governmental Cost Funds--Revenues by Agency and Source
S-3 Governmental Cost Funds--Appropriations, Expenditures and Balances
S-4 All Funds--Receipts from Federal Government
S-5 Bonded Debt Detail--Including Revenue Bonds

Detailed information of apportionments received by the local agencies is available in the reports of financial transactions, which are issued by the Division of Local Government Fiscal Affairs, State Controller's Office.

### LEGAL BASIS OF ACCOUNTING

This report is prepared in accordance with statutory requirements and reflects the past execution of the State's financial affairs on a legal/budgetary basis and also serves as the starting point for General Fund budget planning. Financial statements of the General Fund and all other funds in the State Treasury also have been prepared in accordance with generally accepted accounting principles (GAAP). These statements were audited and released separately. The audited General Fund balance, prepared on a GAAP basis, has been reconciled to the General Fund balance prepared on the legal basis in this report. This reconciliation is an integral part of the GAAP financial statements and is presented in Note 2 of this report.

For the State of California Annual Report, funds are divided into two broad groups, Governmental Cost Funds and Nongovernmental Cost Funds, and are presented individually or in a combined form.

Governmental Cost Funds are used for the normal cost of state government and consist of the:

(1) General Fund, which is used to provide funds for the majority of state agencies and state operational expenditures.
(2) General Fund--Special Accounts, to record fees or taxes which are levied for specific purposes.
(3) Transportation Funds, to record the receipt and disbursement of taxes which are related to the use of transportation vehicles.
(4) Feeder Funds, which are the depositories for the collection of major taxes prior to clearance to the General Fund.
(5) Other Governmental Cost Funds, which are used to account for taxes or revenues restricted by law for a specific purpose.

Nongovernmental Cost Funds receive their revenue from sources other than general and special taxes, licenses and fees . The fund classifications under this group are: Public Service Enterprise Funds, Working Capital and Revolving Funds, Bond Funds, Retirement Funds, and Trust and Agency Funds.

Financial Statements of the University of California are not included in this report. The University of California, including its various branches, is administered by a Board of Regents as a public trust. Financial transactions of the University of California are included in this report only as to the amounts appropriated by the Legislature for support and capital outlay. Expenditures from these appropriations are included as a part of the cost of state government.

The information in this report has been compiled from the State Controller's control accounts, which are on a cash basis and are updated at the end of the fiscal year to include the assets, liabilities, and accruals in the records of the various state agencies. This brings the State Controller's accounts, for reporting purposes, to the same basis as the detailed accounts maintained throughout the fiscal year by the agencies.